CHAPTER 5 **Revenue**

This chapter provides an overview of the revenues and funding sources available to finance transportation improvement in Alameda County. The CMA has adopted goals to increase transit use, reduce congestion and pollution, maintain the existing system, contribute to the economic vitality of the county and coordinate transportation and land use planning. After reviewing the available funding sources, it is clear that additional revenue mechanisms must be established.

WHY FUNDING IS LIMITED

Funding is limited in two ways: revenues have not matched the growth of the population—creating a revenue shortfall; and present revenue sources lack the flexibility needed to respond to changing local needs.

Revenue collections did not keep pace with county population growth because of the California recession in the early 2000's and because the state gasoline tax has not been adjusted to account for the impacts of inflation.

Many revenue sources can only be used for capital investment purposes.

Revenue flexibility continues to be a problem because so many revenue sources can only be used for capital investment purposes. A common thread in the review of historical and current fund sources is the availability of dollars for capital investments versus the availability of operating funds. It is far easier to obtain funding to build a road than it is to maintain it, and for transit it is easier to buy a bus than it is to obtain the funds to operate it. Given the CMA's goals of reducing congestion and air pollution and increasing transit use, the funding of transit operations and local road maintenance continue to be critical issues.

To a large degree the lack of funding for maintenance and transit operation is dictated by the types of, and limitations on, funding sources. For example, some funding sources are specific for highways, while others are specific for transit capital projects. Restrictions on fund sources can lead project sponsors and the CMA to make investment decisions based on funding source requirements and availability rather than on need. The result is a challenge to develop and maintain a balanced transportation network that meets the needs of local communities and ensures county mobility as well as regional connectivity.

A NEW APPROACH TO APPROPRIATING FUNDS

The CMA historically programmed funds through a formula based on population; funds were divided among four geographically defined planning areas. The CMA chose to embark on a new approach—to focus a significant amount of funding on high priority projects in Tier 1. Tier 1 can only contain projects that can fit into the total amount of funding the CMA expects to be available from federal, state and local sources over the next 25 years. High priority projects are those projects that provide congestion relief, improve mobility or connectivity and extend beyond a single area.

CMA will focus on high priority projects in Tier 1.

The CMA has adopted a policy to focus resources on these projects over the next several state and federal funding cycles to ensure delivery of these improvements.

In addition to meeting the criteria noted above, high priority projects were also selected to complete the funding package for improvements identified in the *Measure B Expenditure Plan needing additional State or federal funds.* These projects also address the most congested corridors in Alameda County.

The population-based formula was applied to remaining funds after funding for the high priority projects was completed.

AVAILABLE FUNDING SOURCES

The transportation needs in the county are diverse. They require flexible funding sources that allow transportation improvements and services to be tailored to local requirements, including both:

- Maintaining and operating the existing system; and
- Developing new facilities.

Funds must be flexible enough to meet the varied needs of older cities and developing suburbs and the demands of people and freight movement, as well as demands for highway improvements and transit. Flexibility in the use of funding is a critical aspect of the CMA's challenge to develop and maintain a balanced county transportation network.

Federal, state and local funds are generally available for the following purposes:

- Highway construction, improvements and maintenance;
- Local street and road improvements and maintenance;
- Transit capital projects and operating subsidies;

- Carpool and bicycle projects;
- Bridge replacement and rehabilitation;
- Paratransit;
- Congestion pricing; and
- Operational improvements using new and advanced technologies.

Funds for freeway, local streets and transit capital projects have been easier to obtain than funds for transit operating subsidies. Federal legislation has provided additional flexibility in programming road and transit capital funds, but funds for transit operations have not been able to keep up with demand for such service. Policies regarding clean air and reduced freeway congestion rely on the availability of transit as an alternative mode. Funds for maintaining existing transit services, however, have eroded and funds for new services are severely limited.

The funding sources available for both ongoing and new projects and programs include:

- TEA-21[1]
- State gas tax subventions to local government
- State Transportation Development Act (TDA)/State Transit Assistance (STA) revenues
- State Transportation Improvement Program (STIP) funds
- State Environmental Enhancements and Mitigation
- STDA, Article 3 – Bicycle and Pedestrian
- State Traffic Congestion Relief Program (TCRP) for specific projects
- Bridge Toll Revenues
- Regional Measure 2 (RM 2), bridge toll revenues for specific projects and programs
- Measure B Half-Cent Sales Tax Program
- AB 1107 half-cent sales tax revenues for transit (BART and AC Transit)

[1] TEA-21 was approved in June 1998 and covers a six-year period. This Plan assumes that federal transportation funds will continue to flow to the Bay Area and Alameda County at the same level as in the past.

- Vehicle registration fees for clean air programs, called the Transportation Fund for Clean Air (TFCA), in the Bay Area
- Local fees paid by developers to reduce the negative impacts of their developments on traffic

Revenue sources available to Alameda County are not enough to achieve the CMA's transportation vision for the future.

HOW MUCH DO WE EXPECT?

The MTC is currently updating the regional transportation plan. Entitled *Transportation 2030*, this document is MTC's long-range planning document that covers a 25-year period (from 2005 to 2030). In developing *Transportation 2030* by State law, MTC must consider county transportation plans. For Alameda County, the CMA's *2004 Countywide Transportation Plan* includes Tier 1 projects—those projects that can fit into the total amount of funding that the CMA expects from federal, state and local sources over the next 25 years.

MTC estimates that $108.5 billion will be available for the region over the 25-year period. Of this amount:

- Approximately $99.7 billion is committed to the existing system; and
- Approximately $8.8 billion is available for new investment.

MTC will include a financially-constrained alternative in *Transportation 2030*, corresponding to the estimated $108.5 billion of expected revenue. MTC will also include (among other alternatives), a "Big Tent" Alternative. This alternative is based on new revenues that could become available from new sources, such as a regional fuel tax, extension of the half cent sales tax and a network of high occupancy toll lanes. This plan includes projects for consideration in the Big Tent Alternative.

Commitment to the Existing System

As shown in Table 5.1, revenue sources at all levels of government are dedicated to operation and maintenance of the existing transportation system. Maintaining, rehabilitating and managing the county transportation system requires an increasing financial commitment that, at a minimum, ensures its safety, reliability and existing service levels. If maintenance is deferred, the result is a substantial and increasing maintenance backlog. The commitment to these projects and programs are made prior to determining how funds should be allocated to "new" projects.

Table 5.1—Committed Funds in *Transportation 2030* (in billions)

DEDICATED USE	FED.	STATE	REGION.	LOCAL	TOTAL
Transit Operation and Maintenance	7.375	1.996	8.349	38.384	56.104
Roads Operation and Maintenance	0.621*	4.177	4.821	20.112	29.731
Transit Expansion	1.787	1.142	0.232	8.927	12.088
Roadway Expansion	0.011	0.494	0	0.303	0.808
Other	0.213	0.184	0.136	0.469	1.002
Total	10.007	7.993	13.538	68.196	**99.734**

Source: Metropolitan Transportation Commission

* Includes $0.596 for Bridge/Safety Program

Revenues Available for New Investment

Of the $8.8 billion available for new investment, approximately two-thirds are available to the CMAs in the nine Bay Area counties. (Note that this amount includes the counties' responsibility for transit and road maintenance.) MTC identified about $1.31 billion in available revenues for Alameda County Tier 1 projects for the 25-year period (Tier 1 projects will be discussed in detail in Chapter 6).

In addition to money programmed through *Transportation 2030*, the county also expects to receive funding from Measure B[2], RM 2[3] revenue over the next 30 years, TDA Bicycle and Pedestrian Funds, TCRP funds, State Interregional Transportation Improvement Program (ITIP) funds, and a share of New Starts funding.

In Alameda County, $664.4 is committed to meeting transit capital shortfalls and MTS pavement maintenance obligations, leaving $645.6 for other projects and programs.

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[2] To add to state and federal dollars, Alameda County voters recognized the importance of providing a local contribution to transportation improvements. In 2000, voters approved Measure B, which continued the half-cent sales tax on gasoline. Funds generated by Measure B will be used in combination with County Share funds shown in Tier 1, as well as for other projects.

[3] RM 2, approved by Bay Area Voters in March 2004, increased the tolls on Bay Area bridges by $1.00. The revenues are dedicated for specific capital projects and operating funds for selected transit operators.

REVENUE ISSUES

There are both opportunities and constraints with current and future revenue sources. Table 5.2 identifies future revenue sources and outlines issues that must be resolved in developing a strategic financial program.

The TCRP, approved by the State Legislature in 2000, provided additional funds for specific projects throughout California. Approximately $115 million was identified for projects in Alameda County. However, California's budget crisis has resulted in the lack of funding for some of the TCRP projects, making it likely that not all of the funding will be available and that some projects will not receive these funds.

While other fund sources may be available, the amount of funding is tied to economic conditions. Therefore the total amount of funds available for future programming can be uncertain. Under such conditions, the CMA will have to determine the best strategy to establish additional revenue mechanisms. Each source presents a series of challenges and opportunities. The CMA must assess which sources are most viable given the national, state and regional economy and possible need for voter approval. In the past, Alameda County voters have demonstrated willingness to pay for improvements to the transportation network. It is not expected, however, that all of these revenue sources will be secured.

Funding of transit operations and local road maintenance continue to be critical issues.

To deliver the Big Tent projects in the future, the CMA must assess the feasibility of new revenue mechanisms. In addition to revenue sources identified in Table 5.2, the CMA intends to explore other revenue generators, such as development mitigation fees and congestion pricing.

Table 5.2—Future Revenue Sources and Potential Issues

REGIONAL GAS TAX [4]

- 10-cent gas tax would generate $940 million over 25 years in Alameda County.
- Voter approval needed for nine Bay Area County tax and expenditure plan; requires two-thirds vote.
- Regional gas tax expenditure plan developed by MTC in consultation with CMA.

[4] AB 595 (Brown), approved by the State Legislature in 1997, authorizes the MTC to impose a tax of up to 10 cents per gallon on gasoline sold in the Bay Area. The legislation requires that 95 percent of the revenues be "returned to source" based on county population, meaning that 95 percent of the money raised from this tax in Alameda County will be returned to the county.

- Uses to be specified in measure (road, transit, paratransit, capital projects and operating subsidies).
- Revenue estimate tied to fuel use; including estimate of revenue generated by zero-emission fuels.
- Inflation impact (project costs may escalate above revenue generated).

COUNTY GAS TAX [5]

- 10-cent gas tax would generate $940 over 25 years in Alameda County.
- With enabling legislation, CMA (and adjoining counties) could develop gas tax proposal and expenditure plan for voter approval; requires two-thirds majority vote.
- Uses to be specified in measure (road, transit, paratransit capital projects and operating subsidies), as determined by CMA and local jurisdictions.
- Revenue estimated tied to fuel use; including estimate of revenue generated by zero-emission fuels.
- Inflation impact (project costs may escalate above revenue generated).

ADDITIONAL SURCHARGE ON BRIDGE TOLLS

- Legislative approval is required.
- Would vary depending on volume of traffic on bridges.
- Inflation would impact with fixed fee.

TRAFFIC CONGESTION RELIEF PROGRAM

- Requires legislative approval.
- Inflation impact (project costs may escalate above revenue generated).
- Revenue tied to fuel use.
- Subject to fluctuating economic conditions.

INCREMENTAL INCREASE IN FUEL TAX

- One-cent per gallon increase in the gas tax per year would generate $1.6 billion over 20 years in Alameda County.
- Under existing legislation, Alameda County (and other Bay Area counties) could receive an additional penny per gallon per year.

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[5] Individual counties may also impose a gas tax, in one-cent-per-gallon increments, with no lifetime limit. A proposition must be submitted to the voters. Placement on the ballot requires a written agreement between the cities and the county on an expenditure plan.

- Uses include road, transit, paratransit capital projects and operating subsidies.
- Revenue estimated tied to fuel use, including estimate of revenue generated by zero-emission fuels.
- Inflation impact (project costs may escalate above revenue generated).
- Subject to fluctuating economic conditions.

DEVELOPMENT IMPACT FEES

- Specified project list determines amount of revenue required to be generated.
- Impact fee calculated based on projected residential and commercial development.
- Nexus between fee and projects must be established.
- Agreement on fee program among local jurisdictions and CMA must be established.
- Only local jurisdictions can adopt fee structure and collect revenues.
- Not used for maintenance.
- Are difficult to use for transit capital projects and almost impossible for transit operating support (a shuttle bus might be required of a developer as a condition of development approval but not included in the determination of the impact fee).
- Applies only to new development, minimal revenue generated in built-out areas.
- Subject to fluctuating economic conditions.

Advocacy for Transit Operating Funds

Throughout the development of the funding equity formula and the *2004 Countywide Transportation Plan*, it was clear that both capital and operating fund sources for transit are insufficient to immediately develop the desired county transit network. In particular, the lack of transit operating subsidies is hampering and will continue to obstruct the CMA's stated goal to "improve transit access and increase transit use." The CMA will address this critical need by advocating additional and reliable funding for transit operations.

SUMMARY OF REVENUE POLICIES

The CMA will use the following policies to address the competing demands for revenues necessary to finance the CMA's vision of the future.

- Support establishing a stable revenue source that sustains transit service identified in this Plan.
- Support establishing a stable revenue source for maintenance and rehabilitation of local streets and roads identified in this Plan.
- Support increased flexibility in using existing revenue to apply funds to capital, operating or maintenance, as the need dictates.
- Support increased revenues for transportation purposes that may include one or a combination of the following:
    - Additional surcharge on toll bridges
    - Countywide or regional gas tax
    - Local development impact fees
    - Incremental increases to the state fuel tax
- Endorse the concept of a state constitutional amendment that would enable the voters of Alameda County and other counties to approve transportation sales tax measures by simple majority.